

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 126 – SB 461

March 2, 2015

**SUMMARY OF ORIGINAL BILL:** Authorizes dependent children of members of the armed forces or Tennessee National Guard, who qualify for classification as in-state students under regulations promulgated by the Tennessee Board of Regents pursuant to Tenn. Code Ann. § 49-8-104 at the time of enrollment in the eligible postsecondary institution, to qualify for HOPE scholarships.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – \$340,500/FY15-16/Lottery for Education Account  
\$528,000/FY16-17/Lottery for Education Account  
Exceeds \$528,000/FY17-18 and Subsequent Years/  
Lottery for Education Account

**SUMMARY OF AMENDMENT (003589):** Specifies that dependent children of members of the armed forces or Tennessee National Guard must qualify to be in-state students at the time of application to the eligible postsecondary institution, rather than at the time of enrollment in the institution. Corrects several other technical issues without making any substantive changes.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

**Unchanged from the original fiscal note.**

Assumptions for the bill as amended:

- The Tennessee Student Assistance Corporation (TSAC) estimates that 100 new students will be impacted by this change and receive a HOPE scholarship. Of these students, 81 will attend a four-year institution and receive a \$3,500 scholarship and 19 will attend a two-year institution and receive a \$3,000 scholarship.
- In FY15-16, the increase in state expenditures from the Lottery for Education Account (LFEA) will be \$283,500 for students receiving a \$3,500 scholarship (\$3,500 x 81), and \$57,000 for students receiving a \$3,000 scholarship (\$3,000 x 19), for a total of \$340,500 (\$283,500 + \$57,000).
- There will be an additional 100 students receiving HOPE scholarships in FY16-17 (81 attending a four-year institution and 19 attending a two-year institution), for an increase in state expenditures from the LFEA of \$340,500.

- TSAC confirmed the retention rate for Hope Scholarship recipients is 55 percent from the student's first year to the second year.
- Fifty five students (100 x 55%) from the FY15-16 class will retain their award; forty five students at a four-year institution and ten students at a two-year institution. The increase in state expenditures from the LFEA for returning students is estimated to be \$187,500  $[(\$3,500 \times 45) + (\$3,000 \times 10)]$  in FY16-17.
- The total increase in state expenditures from the LFEA in FY16-17 is estimated to be \$528,000 (\$340,500 for new FY16-17 students + \$187,500 for returning FY15-16 students).
- In FY17-18 and subsequent years, the recurring increase in state expenditures from the LFEA will exceed \$528,000.

### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

/bos